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HELENA, MONTANA

AUDIT OF
U.S. NATIONAL PARK SERVICE HISTORICAL
PRESERVATION GRANTS
TO THE STATE OF MONTANA
DEPARTMENT OF FISH AND GAME
HELENA, MONTANA
June 1, 1975 - June 30, 1977



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STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

March 31, 1978

DEPUTY LEGISLATIVE AUDITORS:
JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS
ELLEN FEAVER
FINANCIAL-COMPLIANCE AND
CONTRACTED AUDITS
STAFF LEGAL COUNSEL
JOHN W. NORTHEY

Director, National Park Service
U.S. Department of the Interior
Washington, D.C. 20240

Through: Regional Audit Manager, Western Region
Office of Audit and Investigation, U.S. Department of the
Interior

Dear Sir:

Enclosed is our report resulting from our audit of costs incurred
and claimed from June 1, 1975 through June 30, 1977, by the Montana
Department of Fish and Game under historic preservation grant agreements
with the U.S. National Park Service.

Costs of \$516,635 were claimed for projects completed or in progress
during the period.

Our report recommends net adjustments of \$26 to costs claimed
during this period.

If further information is needed concerning this report, please
contact us through the Western Regional Audit Manager, U.S. Department
of the Interior.

Sincerely,

Morris L. Bruset

Morris L. Bruset, C.P.A.
Legislative Auditor

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The National Park Service
U.S. Department of the Interior

We have examined the Statement of Project Costs of the Montana Department of Fish and Game covering the period June 1, 1975 through June 30, 1977, under historic preservation grant agreements with the National Park Service (FNP). Our examination was made in accordance with the standards for audit of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States, as they apply to financial and compliance examinations and, accordingly, included such tests of the accounting records and other data, and such other auditing procedures as we considered necessary in the circumstances. We also used the "Audit Guide for National Park Service Historic Preservation Grant Program" issued by the Office of Audit and Investigation, U.S. Department of the Interior. As part of our examination the allowability of costs charged against the projects was considered in terms of the provisions of the grant. A discussion of our recommended cost adjustment appears on page 3 of this report. However, the final determination of whether such costs will be disallowed is to be made by the National Park Service.

In our opinion, the accompanying Statement of Project Costs, subject to the recommended adjustment set forth therein, presents fairly the

grant costs claimed by the Department of Fish and Game during the period June 1, 1975 to June 30, 1977, in accordance with generally accepted accounting principles and the financial provisions of the grant agreements.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

January 31, 1978

INTRODUCTION

The Montana Department of Fish and Game administered projects under contract with the National Park Service during the period June 1, 1975 through June 30, 1977. The agreements were made under the National Historic Preservation Act of 1966, Public Law 89-665.

Our audit was completed in January 1978 and was made to express an opinion on the fairness of the grantee's statement of project costs applicable to the period under review and included an examination of costs claimed on the projects listed on Exhibit I. A financial summary of audit coverage follows:

Approved grant agreements (28 projects)		<u>\$768,763</u>
---	--	------------------

Audited costs:

Prior audit	\$ 37,692	
Current audit	<u>516,635</u>	<u>\$554,327</u>

Less recommended cost adjustments:

Prior audit	-0-	
Current audit	<u>26</u>	<u>26</u>

Audited costs recommended for acceptance	<u>\$554,301</u>
--	------------------

Federal share of costs recommended for acceptance	<u>\$277,150</u>
---	------------------

In addition, we have reviewed the grantee's system of internal control and compliance with provisions of the grant in connection with our examination of the statement of project costs. Our report thereon appears on pages 3-6 of this report.

Montana Department of Fish and Game
National Park Service Historic Preservation Grant Program
Statement of Project Costs
For the Period June 1, 1975 to June 30, 1977

Total Costs Recorded and Claimed									
Grant Agreement	Project Budget	Cash Disbursements	In-Kind (Non-Cash) Contributions	Indirect Costs	Total Costs Recorded and Claimed		Cumulative Total	Recommended Adjustments ³	Page Reference
					Total This Audit	Total Prior Audit			
Survey & Planning Projects									
30-72-00011-00EF	\$ 2,953	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,953	\$ 2,953	\$ -0-	
30-75-00026-00F	27,000	27,000	-0-	-0-	27,000	-0-	27,000	-0-	
30-76-00051-00	30,600	26,786	-0-	589	27,375	-0-	27,375	-0-	
Acquisition and Development Projects									
30-72-00005-00F	13,000	6,500 ²	6,500	-0-	13,000	-0-	13,000	-0-	
30-73-00013-00	12,384	261	261	-0-	522	9,386	9,908	-0-	
30-73-00015-00F	64,000	32,000	32,000	-0-	64,000	-0-	64,000	-0-	
30-74-00023-00F	20,000	10,000	10,000	-0-	20,000	-0-	20,000	-0-	
30-74-00024-00F	35,000	35,000	-0-	-0-	35,000	-0-	35,000	-0-	
30-74-00025-00F	13,000	6,500 ²	6,500	-0-	13,000	-0-	13,000	-0-	
30-75-00027-00	21,170	12,984 ²	-0-	-0-	12,984	8,186	21,170	-0-	
30-75-00028-00	10,700	10,272	-0-	-0-	10,272	-0-	10,272	-0-	
30-75-00029-00	2,500	2,497	-0-	-0-	2,497	-0-	2,497	-0-	
30-75-00032-06F	4,120	4,120	-0-	-0-	4,120	-0-	4,120	-0-	
30-75-00032-15F	1,098	1,098	-0-	-0-	1,098	-0-	1,098	-0-	
30-75-00034-00F	64,414	32,207	32,207	-0-	64,414	-0-	64,414	-0-	
30-75-00035-00F	23,000	11,500 ²	11,500	-0-	23,000	-0-	23,000	-0-	
30-75-00050-00	46,750	21,973	-0-	-0-	21,973	17,167	39,140	-0-	
30-76-00032-00	13,206	12,688	-0-	277	12,965	-0-	12,965	-0-	
30-76-00036-00	87,358	87,358 ²	-0-	-0-	87,358	-0-	87,358	-0-	
30-76-00037-00	41,200	7,450	7,450	-0-	14,900	-0-	14,900 ¹	-0-	
30-76-00069-00F	11,158	10,918 ²	-0-	240	11,158	-0-	11,158	-0-	
30-76-00072-00F	9,076	8,889	-0-	187	9,076	-0-	9,076	-0-	
30-76-00078-00F	19,566	19,190	-0-	-0-	19,190	-0-	19,190	-0-	
30-76-00074-00Q	20,588	20,435	-0-	-0-	20,435	-0-	20,435	-0-	
30-76-00079-00	3,822	635	635	-0-	1,298	-0-	1,298 ¹	-0-	
	<u>\$597,663</u>	<u>\$408,261</u>	<u>\$107,053</u>	<u>\$1,321</u>	<u>\$516,635</u>	<u>\$37,692</u>	<u>\$554,327</u>	<u>\$ 26</u>	3

¹Project 30-76-00057-00 includes \$7,450 and Project 30-76-00079-00 includes \$131.63 of costs for which the grantee's accounting records did not contain sufficient documentary support. See page 8 for further details.

²This figure does not include cash disbursements in excess of agreements as follows:

Costs in Excess of Agreement	
Project	
30-72-00005-00, 30-74-00025-00,	\$2,232.51
30-75-00035-00	-77
30-75-00027-00	433.01
30-76-00056-00	2.53
30-76-00069-00	<u>\$2,668.82</u>
Total costs in excess of agreement	

³Adjustments apply only to costs claimed.

F = after project number notes that the project is final.

RECOMMENDED ADJUSTMENTS

Under project 30-76-00079-00 the subgrantee claimed total donated labor for reimbursement without matching direct costs and charged indirect costs in excess of the agreement. Therefore, we recommend a cost adjustment of \$26.31 computed as follows:

	Grantee Share	Federal Share Materials and Architect Fees	Total	Indirect Cost Rate Used	Indirect Costs	Total Costs
Procedure used	\$1,270.00	\$ -0-	\$1,270.00	2.2%	\$27.94	\$1,297.94
Correct procedure	626.42	626.42	<u>1,252.84</u>	1.5%	18.79	<u>1,271.63</u>
Total costs recommended for adjustment			<u>\$ 17.16</u>		<u>\$9.15</u>	<u>\$ 26.31</u>

RECOMMENDATION

We recommend that the department make a cost adjustment of \$26.31 for costs claimed in excess of agreement on project 30-76-00079-00.

DISPOSITION OF PRIOR QUESTIONED COSTS

The Office of Audit and Investigation, U.S. Department of the Interior, questioned no costs in their report dated July 29, 1975.

MANAGEMENT LETTER

GRANTEE'S SYSTEM OF INTERNAL CONTROLS

We have examined the Statement of Project Costs of the Department of Fish and Game covering the period June 1, 1975 to June 30, 1977, and have issued our report thereon dated January 31, 1978. As a part of our examination, we reviewed and tested the department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of

other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the department's system of internal accounting control for the period June 1, 1975 to June 30, 1977, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system.

However, such study and evaluation disclosed conditions that we believe to be material weaknesses in the accounting for the National Park Service, Historic Preservation Grant program. We discuss these weaknesses on pages 5 and 12-15 of this report.

In addition, based on information obtained during our examination of the Statement of Project Costs, our comments regarding the grantee's compliance with regulations and provisions of the grant agreement which do not directly bear upon the Statement of Project Costs begin on page 7. It should be understood that our examination was directed primarily to the expression of our opinion on the accompanying Statement of Project Costs and cannot be relied upon to disclose all instances of noncompliance.

Grantee's Accounting System

The grantee's accounting system, the Statewide Budgeting and Accounting System (SBAS) does not account for all costs incurred by the Department of Fish and Game in accounting records which are the primary responsibility of the department. Costs associated with Historic Preservation grant projects paid by the Department of Administration, Architecture and Engineering Division, are accounted for on the Department of Administration's SBAS reports. The department should account for these costs as well as all other costs incurred by both the department and subgrantees on the Statewide Budgeting and Accounting System rather than manually accumulating project costs from several different sources. This accounting system weakness was disclosed in the previous audit report and the accounting for National Park Service Historic Preservation Grant Program projects remains the same as previously reported.

Because the department's Historic Preservation grant costs are not supported on the Statewide Budgeting and Accounting System we concluded

that an audit of claimed costs and supporting data was appropriate under the circumstances.

The Department of Fish and Game accounts for project costs manually in individual project files consisting of a billing and a master file. The department also maintains a cardex system for all Historic Preservation projects. This system serves as the general ledger for the projects. Billings are prepared for National Park Service reimbursement from the project files.

The department's accountability for project costs would be improved if all department and subgrantee Historic Preservation costs were included by project on the Statewide Budgeting and Accounting System for the following reasons:

1. The department would have a permanent trail of all transactions for Historic Preservation projects.
2. Costs accrued and incurred could be audited instead of claimed costs.
3. The department would have increased assurance that all costs accrued and incurred are being claimed for reimbursement.
4. Billings could be prepared from SBAS.
5. The possibility of human error would decrease if costs were not required to be accumulated manually for Historic Preservation Grant projects.
6. The department would eliminate the internal control weakness associated with hand carrying source documents to data processing to sort out reimbursable data.

COMPLIANCE ISSUES

Completion Reports

Completion reports were not submitted to the National Park Service within 90 days after project completion for the four projects listed below:

Project

30-75-00032-15
30-73-00015-00
30-74-00023-00
30-75-00034-00

Section II, XX of the Historic Preservation Grants-in-Aid Policies and Procedures Manual requires that completion reports be submitted within 90 days following the date of each project's completion.

RECOMMENDATION

We recommend that the department submit completion reports for all completed projects within 90 days after the project's completion, in compliance with grant regulations.

Environmental Impact Statements

No documentation was available in the project files to show that environmental impact statements were made in advance of every project.

The Historic Preservation Grants-in-Aid Policies and Procedures Manual, Section II, XIV.I. requires that a statement of environmental impact be prepared in advance of each action that may significantly affect the quality of the human environment. The grantee must maintain appropriate documentation to show that consideration was given to each project's environmental impact. If the department determines that there will be no significant affect on the environment, grant files should document this conclusion.

RECOMMENDATION

We recommend that the department document its consideration of environmental impact in each project file.

Insufficient Documentary Support for Costs Claimed

Our audit disclosed two instances of insufficient documentary support for costs claimed. On project #30-76-00057-00 the project construction contract stated that costs would not exceed \$7,450. No other documentary support was available to support the actual costs involved. On project 30-76-00079-00 costs of \$131.63 were submitted for reimbursement without adequate source documents.

FMC 74-4, Attachment A-A2.B requires that the grantee assume the responsibility to properly account for federally assisted program funds.

RECOMMENDATION

We recommend that the department require adequate documentation for all disbursements.

Audits of Subgrantee Claims

Our audit testing disclosed that the department is not adequately documenting its review of subgrantees' costs. The department performs a desk audit but issues no formal audit report and maintains no written evidence of review as documentation of compliance with federal regulations.

Federal Management Circular (FMC) 74-7, Attachment G provides for grantees to audit subgrantees to determine fiscal integrity of financial transactions and compliance with laws, regulations and administrative requirements.

RECOMMENDATION

We recommend that the department adequately document its audits of subgrantees.

Advances to Subgrantees

Grantee cash advances have not been transferred to subgrantees in a timely manner. The advances are held by the department until a request for reimbursement is received from the subgrantee. Therefore, the grantee is using the advances rather than forwarding them to the subgrantee for which the advance was requested. The advance method of payment is designed to make money available to subgrantees who do not have resources available to construct a project on a reimbursement basis.

The Historic Preservation Grants-in-Aid Policies and Procedures Manual, Section II.XV.F.2 provides that where a grantee (subgrantee in this case) lacks resources to finance project costs, payments in advance of work performance may be requested once a project has been initiated. The department should request advances only when the subgrantee cannot perform the project on a reimbursement basis, and the department should transfer those advances to the subgrantee in a timely manner.

RECOMMENDATION

We recommend that the department transfer advances to the subgrantee in a timely manner.

Contracts for Services

On three McLeish House projects; 30-72-00005-00, 30-74-00025-00, and 30-75-00035-00 we could not find documentation that a contract existed for the work performed. One contractor performed the work which exceeded \$24,000.

The department stated that no contract was awarded because the work involved specialized labor. The price was negotiated. If a contract is to be negotiated, rather than competitively bid, the department should

maintain in the project file documentary justification for use of the negotiation method, the contractor selected and the basis for the cost negotiated.

The Historic Preservation Grants-in-Aid, Policies and Procedures Manual, Section II.XIV.G., provides that contracts in excess of \$10,000 must be awarded through competitive bidding with the exception of extensive preservation work, where negotiation is the proper procedure. If the contract is negotiated, the grantee should negotiate with at least three contractors. Working with fewer than three contractors is acceptable only if fewer than three respond to the advertisement for the work. The grantee is to negotiate a price, rate each contractor, and select the contractor that will do the best job. Grantee records should include documentation pertinent to each of these steps.

RECOMMENDATION

We recommend that the department comply with the requirements of the Historic Preservation Grants-in-Aid Policies and Procedures Manual Section II.XIV.G in awarding construction contracts.

Accounting for Costs

Three projects consisting of phases I, II, III on the Fort Benton McLeish House and three projects consisting of Phases I, II, III of the Fort Benton Episcopal Church were not accounted for in the manner in which they were approved. The projects were approved by phase but were accounted for in terms of each overall project.

Federal Management Circular (FMC) 74-7, Attachment G requires effective control over and accountability for all funds including records which adequately identify the source and application of funds.

RECOMMENDATION

We recommend that the department record and account for costs in accordance with approved grant agreements.

OTHER ISSUES

The department has an approved indirect costs negotiation agreement covering our audit period. The approved indirect cost rates were applied to only five projects.

Because indirect costs are not charged to all projects, project expenditures are understated by the administrative costs of each project. When indirect costs are charged at the approved indirect cost rate, 50% is reimbursed by the National Park Service.

RECOMMENDATION

We recommend that the department charge indirect costs to Historic Preservation grant projects in accordance with the indirect cost negotiation agreement.

Depreciation on Vehicles

The depreciation rate used for the department's vehicles is excessive, causing the book value on each vehicle to be understated. This results from the department significantly underestimating the trade-in value of their vehicles and projects being charged an incorrect amount for vehicle usage.

The following example illustrates this point:

Vehicle 2131

Original cost	\$3,732.25
Total depreciation	<u>2,799.19</u>
Book value at trade-in	933.06
Trade-in given on new vehicle	<u>2,100.00</u>
Profit on trade-in	<u><u>\$1,166.94</u></u>

Because National Park Service grant contracts provide for the reimbursement of project costs incurred by the department, those costs should be based upon the acquisition and cost and not result in a profit to the department.

RECOMMENDATION

We recommend that the department adjust their present depreciation rates to more realistically consider trade-in values.

Replacement Differential Charge

The department's vehicle user charge rate includes a replacement differential charge. Projects are charged a vehicle cost based on this rate for each mile the vehicle is used. This results in projects being charged for expenditures which are non-allowable under Federal regulations. On the above example for vehicle 2131, the total replacement differential charge was \$3,109.69 during the vehicle life. Therefore, the total profit on vehicle was $\$1,166.94 + \$3,109.69 = \$4,276.63$.

RECOMMENDATION

We recommend that the department determine vehicle use rates based upon actual acquisition and operating costs.

Extensive Subdivision of Cash Handling

The department receives large volumes of mail containing checks and cash. Currently, the mail clerk sorts and distributes all mail to the department section to which the mail is addressed. Each section opens and processes its own mail. For example, reimbursement checks and checks received on the letter of credit go directly to the Accounting Division and the person doing the National Parks Service billing. Because of this, there is an extensive subdivision of cash handling throughout the department.

Internal control over cash is stronger when fewer employees handle cash. The department should centralize the mail opening function. When the mail is opened, monetary items should be removed, listed and taken to the cashier. A notice of remittance could then be inserted in place of the cash and routed in the normal manner. The listing should then be compared to treasury deposits. This would significantly improve control of cash receipts.

RECOMMENDATION

We recommend that the department:

- 1. Centralize its mail opening function.*
- 2. Forward all checks and cash directly to the cashier.*

Payroll Time Records

The department employees prepare monthly time distribution reports to record hours worked by project. The reports are often prepared and signed by the employee in pencil. The central office payroll section uses these reports for accounting distribution of payroll expense to various projects.

Our audit of the department disclosed changes made to the reports after they reached the central office. Proper time records are the responsibility of department supervisors. Time records should not be approved until they are correctly and accurately completed.

RECOMMENDATION

We recommend that the department:

- 1. Require time records to be completed in ink.*
- 2. Prohibit changes being made to time records after they are submitted by employees.*

Limited Segregation of Duties

The payroll supervisor has the authority to add employees to the payroll and distribute paychecks to employees. These are incompatible functions; therefore, payroll warrants should be distributed by someone other than the payroll supervisor.

RECOMMENDATION

We recommend that someone other than the payroll supervisor distribute payroll warrants.

CETA Reimbursements

The department employed a number of individuals under the Concentrated Employment Training Act (CETA) program. These people are paid as part of the regular payroll. Periodically the department bills the Division of Employment Security, Montana Department of Labor and Industry, the CETA grantor, for payment of CETA employees' wages. When the reimbursement is received, the transaction is recorded as an expenditure abatement rather than as income. Due to this procedure, the department's expenditures and income are understated.

RECOMMENDATION

We recommend that the department record CETA reimbursements as income rather than as expenditure abatements.

Property Accounting

The department has not maintained non-expendable personal property records during fiscal years 1975-76 and 1976-77. The lack of property records represents a serious internal control weakness because the department cannot effectively control assets without current records of those assets. In addition, the department cannot comply with federal regulations for equipment purchased with federal funds without accurate property records.

A department official has advised us that the property system is currently being updated to correct this weakness.

PROJECT SITE VISITS

We visited the following project sites during our audit:

<u>Description</u>	<u>Project</u>
Hearst Free Library	30-76-00056-00
Conrad Mansion	30-76-00057-00
Bannack - Masonic Lodge	30-75-00027-00
Bannack - Meade Hotel	30-75-00028-00
Bannack - Irwin House	30-73-00013-00
Bannack - Skinner Saloon	30-75-00029-00
Bannack - Monk Nichols Property	30-75-00032-06
Bannack - Fire Suppression System and Power Line Burial	30-76-00052-00
Bannack - Brandt Harvey Property	30-75-00032-15
Bannack - Jackson Property	30-76-00069-00
Bannack - Thompson Property	30-76-00072-00
Bannack - Apex Mine Tract	30-76-00078-00
Bannack - Herseth Acquisition	30-76-00074-00Q

Our visits were conducted to test for compliance with respective project agreements. We have concluded, based on our observations and other auditing procedures, that the projects are in compliance with the terms of the project agreements.

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with members of the Department of Fish and Game staff. The full text of the department's response to this report begins on page 17.

We wish to express our appreciation to the Director and his staff for cooperation and assistance during this audit.

SUMMARY OF GRANTS WITH NO ACTIVITY FROM INCEPTION THROUGH JUNE 30, 1977National Park Service Historic Preservation Grants To The State of
Montana, Department of Fish and Game

<u>Project Number</u>	<u>Total</u>	<u>Grantee Share</u>	<u>Federal Share</u>
30-73-00014-00	\$ 25,000	\$12,500	\$12,500
30-76-00060-00	53,300	26,650	26,650
30-76-00079-18	<u>92,800</u>	<u>46,400</u>	<u>46,400</u>
Total	<u>\$171,100</u>	<u>\$85,550</u>	<u>\$85,550</u>

AGENCY REPLY

STATE OF MONTANA



DEPARTMENT OF

FISH AND GAME

March 23, 1978

RECEIVED

MAR 23 1978

MONTANA LEGISLATIVE AUDITOR

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

The Department of Fish and Game has reviewed the audit report prepared by your office for U.S. National Park Service Historical Preservation Grants by this Department for the period June 1, 1975 through June 30, 1977.

Our response to specific recommendations is attached. Administration of these grants was transferred to the Montana Historical Society effective January 1, 1977. Most of the corrective actions required in this audit must be implemented by the Historical Society.

We thank you for this opportunity to respond to the recommendations and appreciate your staff's thorough financial review of this program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Orville W. Lewis", written in a cursive style.

Orville W. Lewis
Associate Director

OWL:LEP/bs

Enclosures

A. Recommendation:

We recommend that the Department make a cost adjustment of \$26.31 for costs claimed in excess of agreement on project 30-76-00079-00.

B. Agree.

C. Corrective Action:

An adjustment of the grant project presently administered by the Department will be made in a future billing.

A. Recommendation:

We recommend that the Department submit completion reports for all completed projects within 90 days after the project's completion, in compliance with grant regulations.

B. Agree.

C. Corrective Action:

The administration of National Park Service Historical Preservation Grants was transferred from the Department of Fish and Game to the Montana Historical Society effective January 1, 1977. The Department will offer to assist the Historical Society on future completion reports on Department projects. Other subgrantee completion reports should be prepared by project personnel familiar with specific projects and coordinated by the Historical Society.

A. Recommendation:

We recommend that the Department document its consideration of environmental impact in each project file.

B. Agree.

C. Corrective Action:

The Department of Fish and Game will assist project personnel in consideration of environmental impact statements. Documentation of this consideration is now the responsibility of the Montana Historical Society.

4. A. Recommendation:

We recommend that the Department require adequate documentation for all disbursements.

B. Agree.

C. Corrective Action:

Effective January 1, 1977, the administration of subgrantee projects was transferred to the Montana Historical Society. This recommendation will be referred to the Historical Society for implementation.

5. A. Recommendation:

We recommend that the Department adequately document its audits of subgrantees.

B. Agree.

C. Corrective Action:

Effective January 1, 1977, the administration of subgrantee projects was transferred to the Montana Historical Society. This recommendation will be referred to the Historical Society for implementation.

6. A. Recommendation:

We recommend that the Department transfer advances to the subgrantee in a timely manner.

B. Agree.

C. Corrective Action:

Effective January 1, 1977, the administration of subgrantee projects was transferred to the Montana Historical Society. This recommendation will be referred to the Historical Society for implementation.

7. A. Recommendation:

We recommend that the Department comply with the requirements of the Historic Preservation Grants - in - Aid Policies and Procedures Manual Section II.XIV.G in awarding construction contracts.

B. Agree.

C. Corrective Action:

Effective January 1, 1977, the administration of subgrantee projects was transferred to the Montana Historical Society. This recommendation will be referred to the Historical Society for implementation.

8. A. Recommendation:

We recommend that the Department record and account for costs in accordance with approved grant agreements.

B. Agree.

C. Corrective Action:

Effective January 1, 1977, the administration of subgrantee projects was transferred to the Montana Historical Society. This recommendation will be referred to the Historical Society for implementation.

9. A. Recommendation:

We recommend that the Department charge indirect costs to Historic Preservation grant projects in accordance with the indirect cost negotiation agreement.

B. Agree.

C. Corrective Action:

Until fiscal year 1976 the Department absorbed administrative costs of the program and projects were not written to include indirect costs. Therefore, only fiscal year 1976 projects were billed with an overhead factor. Since the transfer of the program from the Department to the Montana Historical Society, the administrative costs for Department of Fish and Game projects are again being absorbed.

This recommendation will be provided to the Historical Society for corrective action.

10. A. Recommendation:

We recommend that the Department adjust their present depreciation rates to more realistically consider trade-in values.

B. Agree.

C. Corrective Action:

The Department will establish, through costly computer programming, a system of charging a reduced depreciation rate after a vehicle has reached its maximum expected number of miles. The vehicle in the example was driven many miles beyond its expected 65,000 mile life expectancy thus depreciation continued on a straight line basis beyond what it was expected to be traded in for.

11. A. Recommendation:

We recommend that the Department determine vehicle use rates based upon actual acquisition and operating costs.

B. Agree.

C. Corrective Action:

The Department will eliminate the present unauthorized replacement factor from its future vehicle mileage rates.

12. A. Recommendation:

We recommend that the Department:

1. Centralize its mail opening function, and
2. Forward all checks and cash directly to the cashier.

B. Partially agree.

C. Corrective Action:

The Department will advise agencies currently sending checks to the Department to address such cash items to the attention of the cashier. Due to possible problems with Federal Postal Service law, items addressed to specific individuals will not be opened centrally. The Department's staff attorney will be advised to require any future lease payments or other contractual payments be mailed directly to the cashier's office. Due to heavy volume, special licensing applications will be forwarded by the mailroom to the special license section unopened; special licensing staff will forward checks and cash items to the cashier as soon as envelopes are opened.

13. A. Recommendation:

We recommend that the Department:

1. Require time records to be completed in ink, and
2. Prohibit changes being made to time records after they are submitted by the employees.

B. Agree.

C. Corrective Action:

Fish and Game field personnel have been advised to fill out timerolls and

leave of absence forms in ink. Payroll personnel have been advised they are not authorized to make any changes to time records. These actions were completed in March 1978.

14. A. Recommendation:

We recommend that someone other than the payroll supervisor distribute payroll warrants.

B. Agree.

C. Corrective Action:

The payroll supervisor no longer hands out the pay checks at the Helena headquarters location. This change was implemented in March 1978.

15. A. Recommendation:

We recommend that the Department record CETA reimbursement as income rather than as expenditure abatements.

B. Agree.

C. Corrective Action:

The Department discontinued this practice in November, 1977.

